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Viewing cable #07MANAGUA2055, NICARAGUA: EXXON AT IMPASSE WITH GOVERNMENT OVER

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

Understanding cables

Every cable message consists of three parts:

- The top box shows each cable's unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#07MANAGUA2055**.

Reference ID	Created	Released	Classification	Origin
07MANAGUA2055	2007-09-07 22:00	2011-08-30 01:44	CONFIDENTIAL	Embassy Managua

Appears in these articles:

<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758456.aspx>
<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758467.aspx>
<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758468.aspx>
<http://www.nacion.com/2011-05-30/Mundo/NotasSecundarias/Mundo2758464.aspx>
<http://www.confidencial.com.ni/articulo/4103/la-embusa-y-el-gabinete-de-ortega>
<http://www.confidencial.com.ni/articulo/4104/d-escoto-en-onu-un-desafio-de-ortega-a-ee-uu-rdquo>
<http://www.confidencial.com.ni/articulo/4102/estrada-y-la-ldquo-doble-cara-rdquo-ante-ee-uu>
<http://www.confidencial.com.ni/articulo/3966/la-ldquo-injerencia-rdquo-de-ee-uu-en-el-2006>
<http://www.nacion.com/2011-05-23/Mundo/Relacionados/Mundo2758764.aspx>
<http://www.nacion.com/2011-05-23/Mundo/NotaPrincipal/Mundo2758753.aspx>
<http://www.confidencial.com.ni/articulo/4041/millones-de-dolares-sin-control-y-a-disolucion>
<http://www.confidencial.com.ni/articulo/4040/la-ldquo-injerencia-rdquo-de-venezuela-en-2006>
<http://www.confidencial.com.ni/articulo/4047/rodrigo-barreto-enviado-de-ldquo-vacaciones-rdquo>
<http://www.nacion.com/2011-05-16/Mundo/NotasSecundarias/Mundo2757239.aspx>
<http://www.nacion.com/2011-05-16/Mundo/NotaPrincipal/Mundo2746658.aspx>
<http://www.nacion.com/2011-05-16/Mundo/Relacionados/Mundo2757244.aspx>
<http://www.nacion.com/2011-05-16/Mundo/Relacionados/Mundo2746673.aspx>
<http://www.confidencial.com.ni/articulo/3991/dra-yadira-centeno-desmiente-cable-diplomatico-eeuu>
<http://www.confidencial.com.ni/articulo/3968/pellas-pronostico-a-eeuu-victoria-de-ortega-en-2006>
<http://www.confidencial.com.ni/articulo/3967/barreto-era-ldquo-fuente-confiable-rdquo-para-eeuu>

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TO RUEHC/SECSTATE WASHDC IMMEDIATE 1213
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEHCV/AMEMBASSY CARACAS 1166
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC

C O N F I D E N T I A L MANAGUA 002055

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DEPT FOR EEB/ESC, EEB/BTA, WHA/EPSC, WHA/CEN
SAN JOSE FOR CS/JMCCARTHY
DEPT PLEASE PASS TO USTR AND OPIC

E.O. 12958: DECL: 09/06/2017

TAGS: EINV EPET ETRD NU

SUBJECT: NICARAGUA: EXXON AT IMPASSE WITH GOVERNMENT OVER
RETURN OF FUEL DEPOT

REF: A. MANAGUA 2016

¶B. MANAGUA 1952

Classified By: Ambassador Paul Trivelli, Reason: E.O. 12958 1.4 (b) and
(d)

¶11. (C) Summary: Since our last report, Exxon and the government converted their earlier exchange of letters into a memorandum of understanding, with the Government of Nicaragua adding some potentially troubling language. On September 3, the negotiators for the two sides submitted the memorandum to their respective authorities for final approval. Exxon authorities returned with additional language related to safety standards and procedures. Energy Minister Emilio Rappaccioli and Petronic Chief Executive Francisco Lopez rejected this language. On September 6, Exxon representative Milton Chaves briefed the Ambassador on the impasse and discussed next steps. Post recommends that A/S Sullivan, in consultation with WHA, consider contacting Nicaraguan Ambassador Cruz. Post suggests talking points for this purpose. Paragraph 7 contains this action request. End Summary.

¶12. (C) On September 6, Exxon representative Milton Chaves briefed the Ambassador on the impasse that had developed between Exxon and the Government of Nicaragua regarding the return of Corinto I to Esso/Nicaragua. Chaves departed Nicaragua on September 7, with plans to meet Nicaraguan Ambassador Arturo Cruz in Washington, D.C. that same day. Cruz has weighed in with Managua on the issue more than once, and requested to see Chaves when in Washington.

¶13. (C) Since our last report (Ref A), Exxon and the government have converted their earlier exchange of letters into a memorandum of understanding, with the Government of Nicaragua adding some potentially troubling language. The basis of the understanding is that the government would return control of the fuel tanks situated at Corinto I to Esso Nicaragua. In return, Esso would negotiate in good faith the use of the facility to import Venezuelan gasoline and diesel purchased by state-owned Petronic, as well as the purchase of crude oil for refining at Exxon's Managua refinery.

¶14. (C) On September 3, the negotiators for the two sides agreed on language which they submitted to their respective authorities for final approval. Exxon authorities returned with three additions to the effect that 1) Exxon operational

safety procedures should be reinstated, 2) Exxon safety standards should apply when it came to modifications that Petronic had made to Esso/Nicaragua's fuel tanks, and 3) a time limit on negotiations to sell or rent Corinto I to Petronic (on this Exxon is flexible). Exxon language also demanded assurances that the importation of oil through Petronic would not put Exxon in the position of violating United States law (e.g., importing product from a country subject to U.S. economic sanctions). Energy Minister Emilio Rappaccioli and Petronic Chief Executive Francisco Lopez rejected these requests.

¶ 15. (C) On September 4, Hurricane Felix hit the Atlantic coast of Nicaragua, diverting the attention of Nicaraguan Government officials and the rest of the country toward disaster relief. Meanwhile, Petronic is preparing Corinto I to receive a third vessel filled with refined petroleum products from Venezuela arriving on September 14.

¶ 16. (C) Because Esso's fire fighting equipment is located in Corinto I, Esso is unable to operate Corinto II where most of its fuel is stored. Esso has not received a vessel with refined product since the government took control of Corinto I on August 17. This suspension of activity at Corinto II could soon affect the availability of premium gasoline in Nicaragua.

¶ 17. (C) Action Request: We think Chaves' meeting with Ambassador Cruz would be augmented by a call from Assistant Secretary for Economics, Energy, and Business Daniel

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Sullivan. We recommend that Secretary Sullivan, in consultation with WHA, consider personally delivering the following talking points to Cruz:

(SBU) Suggested Talking Points

- By nature, fuel is highly flammable and explosive, making it one of the most dangerous products to handle. Safety is paramount.
- Exxon takes very seriously the safety of its employees and surrounding communities. For this reason, the company ascribes to the highest standards of safety, applying company policies and safety protocols to its operations throughout the world.
- Exxon cannot accept safety standards that fall below its own high standards. The return of Corinto I should not require Exxon to do so.
- The seizure of Corinto I has raised a number of serious questions.
 - The basis for the lien on Corinto I is a tax that is not applied to petroleum products.
 - Under Nicaraguan law, Exxon should have retained control of the property; it should not have been given to Customs.
 - Immediately upon seizing the property, Nicaraguan Customs contracted state-owned Petronic to modify Esso tanks and offload product.
 - Nicaraguan Customs and Tax authorities followed the takeover of Corinto I with various tax claims totaling tens of millions of dollars.

- These actions by state agencies and companies in a time sensitive manner demonstrate coordination at the highest levels of government.
 - I urge you to return Corinto I to its rightful owner, Esso, at the earliest opportunity.
 - Once Corinto I is returned, I am sure Exxon would be willing to discuss fuel storage and petroleum processing issues with Petronic, as it has indicated.
- ¶8. (C) We note the OPIC President and CEO Mosbacher is planning to stop in Managua on September 12 to announce the expansion of a housing mortgage facility linked to Hurricane Felix recovery. CEO Mosbacher will also have an opportunity to raise the Exxon issue. We hope that these dual approaches will successfully pressure the Government of Nicaragua to resolve the impasse.

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